

Equities

6 June 2012 | 20 pages

Engineering Sector in China

Monthly China PMI Tracker – May: Implications for the Sector

■ Industry Overview

- **Citi Engineering China PMI Tracker** — We introduced our monthly China PMI Tracker in February, which comprises a specific focus on the breakdown of the China PMI by industry, from Food Processing & Manufacturing to Transportation Equipment.
- **PMI Fell on Weak Demand and Seasonal Factors** — Our China economists note in their report ([China Macro Flash - May PMI Suggests Further Slowdown](#)) that the PMI dropped by 2.9ppts in May to 50.4, approaching the critical level of 50 and lower than Citi's and market expectations. All sub-indices declined except for finished goods inventory, pointing to a broad-based weakening of demand, leading to higher inventory. Seasonal factors may have also played a role, as the official PMI has declined in May every year since 2005.
- **Positives: Which End Markets are Showing Notable Strength?** — The PMI for metal products, electrical equipment and beverage equipment continue to show solid development on a 3-month rolling basis. Inventories in these sectors remain low, indicating robust demand. Companies that could benefit from this trend in China include ABB, Cookson, GEA, IMI, Sandvik and Siemens.
- **Negatives: Which End Markets are Showing Notable Weakness?** — The PMI for petroleum processing and transportation equipment remain weak on a 3-month rolling basis. Inventories for petroleum processing show the most notable sequential increase. This trend in China could have negative implications for ABB, Alstom, Invensys and Siemens.
- **Top Picks for 2012** — Our top Buy ideas are ABB, GEA, IMI and Sandvik and our top Sell ideas are Metso, Philips, Schneider and SKF.

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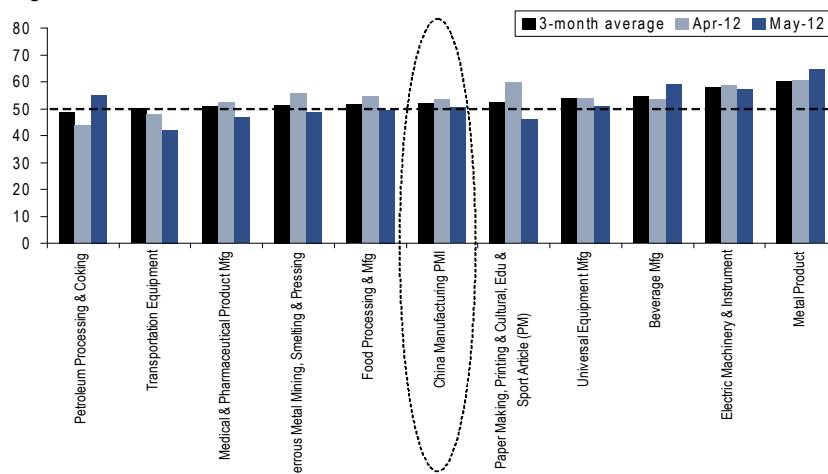
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Figure 1. China Manufacturing PMI by End Market, May 2012 vs. April 2012 and 3-month rolling average



Source: National Sources and Citi Investment Research and Analysis

See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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Contents

China Manufacturing PMI by End Market	3
1. China Manufacturing PMI by End Market	3
Beverage Manufacturing	3
Electric Machinery & Instrument	4
Ferrous Metal Mining, Smelting & Pressing	4
Food Processing & Manufacturing	5
Medical & Pharmaceutical Product	5
Metal Products	5
Paper Making, Printing, etc.	6
Petroleum Processing & Coking	6
Transportation Equipment	7
Universal Equipment Manufacturing	7
2. New Orders Component	9
3. Finished Goods Inventory	9
4. Production	10
Engineering Sector Exposure to China	11
Recently Published Engineering Sector in China Reports	12
Appendix A-1	16

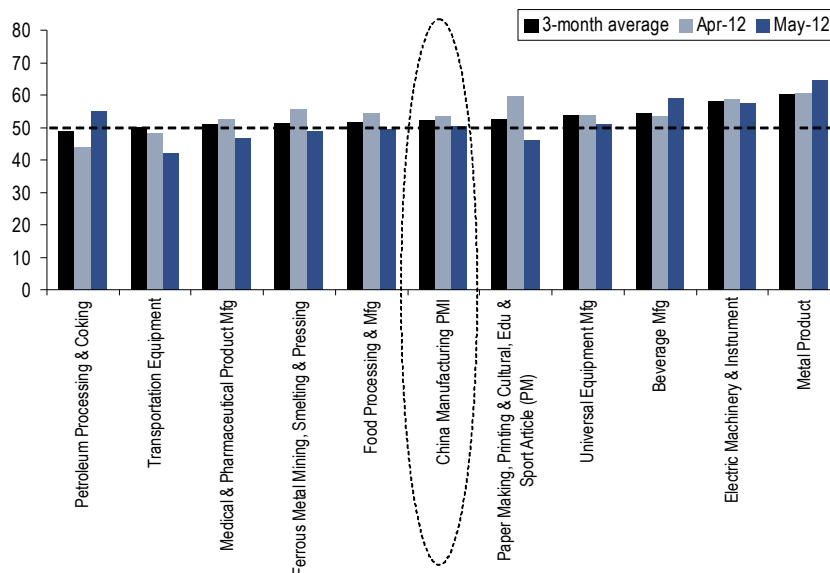
China Manufacturing PMI by End Market

In this report we provide detail on (1) China manufacturing PMI by end market relevant to the Engineering sector vs. the national PMI; (2) new orders component by end market; (3) finished goods component by end market; and (4) production component by end market.

All PMI sub-indices declined in May except for finished goods inventory, pointing to a broad-based weakening of demand, leading to higher inventory. End markets that show continued notable strength are metal products, electrical equipment and beverage equipment. End markets that show notable weakness are petroleum processing and transportation equipment. Inventories for petroleum processing show the most notable sequential increase.

1. China Manufacturing PMI by End Market

Figure 2. China Manufacturing PMI by End Market, May vs. April 2012 and 3 month rolling average

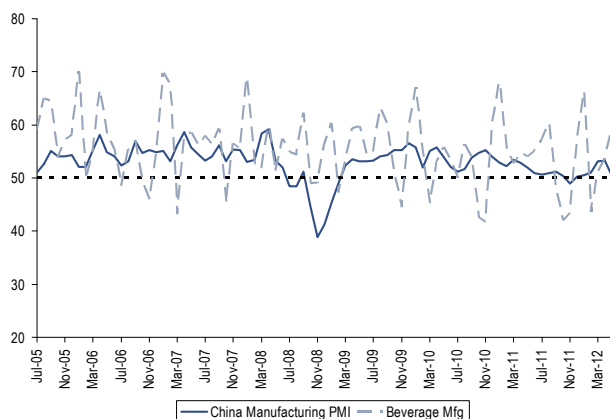


Source: Citi Investment Research and Analysis

Beverage Manufacturing

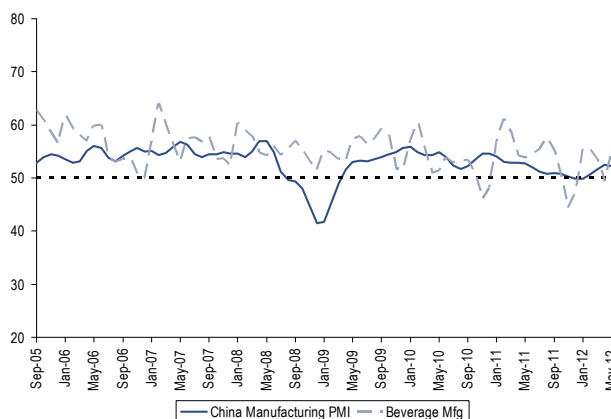
The Beverage Manufacturing component of the China PMI increased to 59.1 in May from 53.5 in April (Figure 3). On a 3-month rolling average Beverage Manufacturing rose to 54.6 in May from 49.4 in April (Figure 4).

Figure 3. China PMI – Beverage Manufacturing



Source: Citi Investment Research and Analysis

Figure 4. China PMI – Beverage Manufacturing (3-month average)

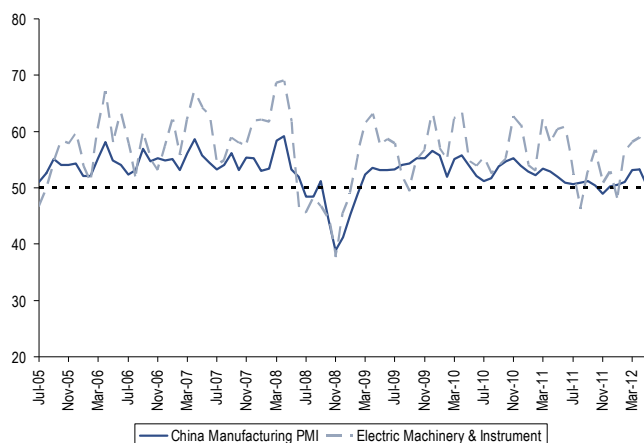


Source: Citi Investment Research and Analysis

Electric Machinery & Instrument

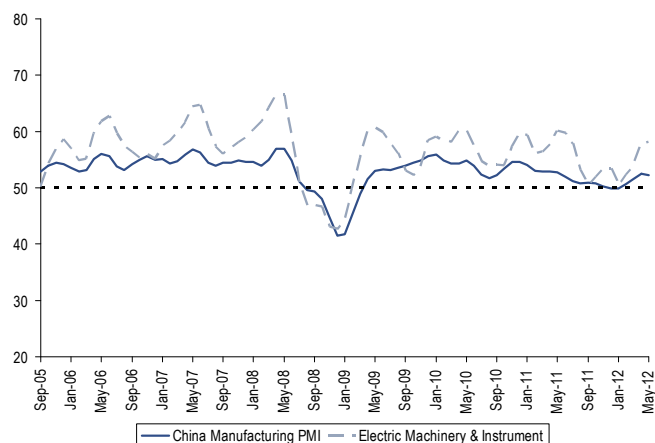
The Electric Machinery & Instrument component of the China PMI decreased to 57.3 in May from 58.9 in April (Figure 5). On a 3-month rolling average Electric Machinery & Instrument increased to 58.1 in May from 57.9 in April (Figure 6).

Figure 5. China PMI – Electric Machinery & Instrument



Source: Citi Investment Research and Analysis

Figure 6. China PMI – Electric Machinery & Instrument (3-month average)

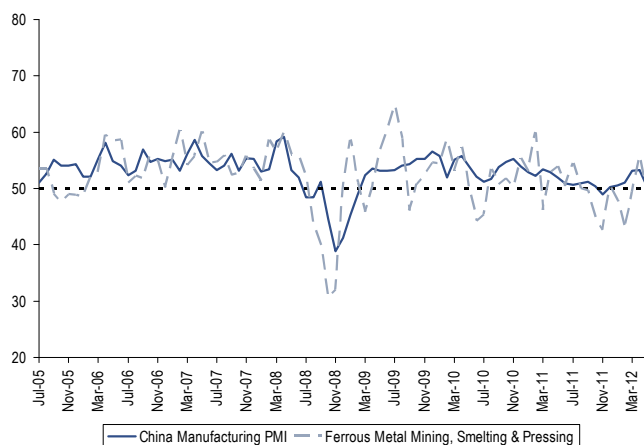


Source: Citi Investment Research and Analysis

Ferrous Metal Mining, Smelting & Pressing

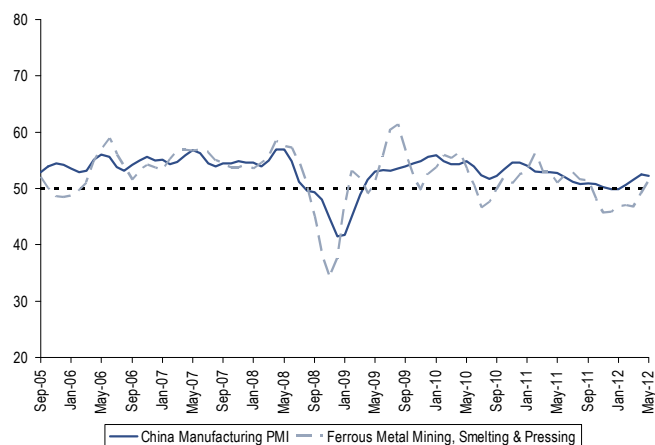
The Ferrous Metal Mining, Smelting & Pressing component of the China PMI decreased to 48.8 in May from 55.7 in April (Figure 7). On a 3-month rolling average Ferrous Metal Mining, Smelting & Pressing increased to 51.3 in May from 49.3 in April (Figure 8).

Figure 7. China PMI – Ferrous Metal Mining, Smelting & Pressing



Source: Citi Investment Research and Analysis

Figure 8. China PMI – Ferrous Metal Mining, Smelting & Pressing (3-month average)

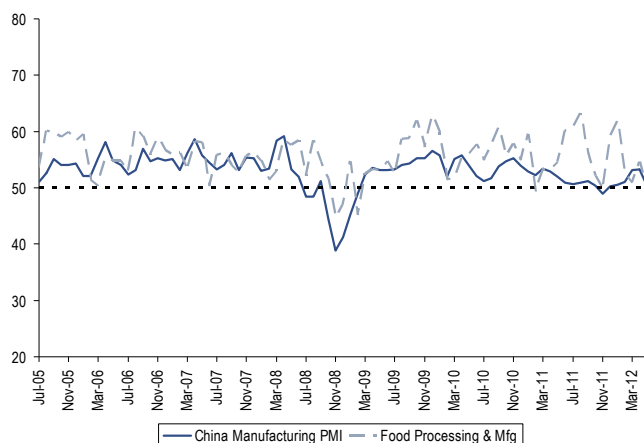


Source: Citi Investment Research and Analysis

Food Processing & Manufacturing

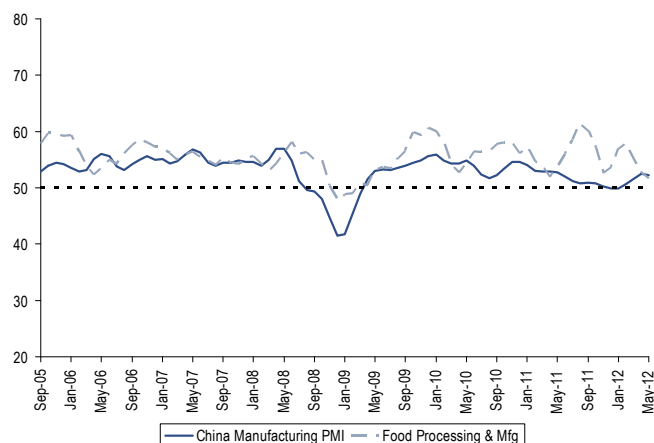
The Food Processing & Manufacturing component of the China PMI decreased to 49.5 in May from 54.6 in April (Figure 9). On a 3-month rolling average Food Processing & Manufacturing declined to 51.7 in May from 52.7 in April (Figure 10).

Figure 9. China PMI – Food Processing & Mfg



Source: Citi Investment Research and Analysis

Figure 10. China PMI – Food Processing & Mfg (3-month average)

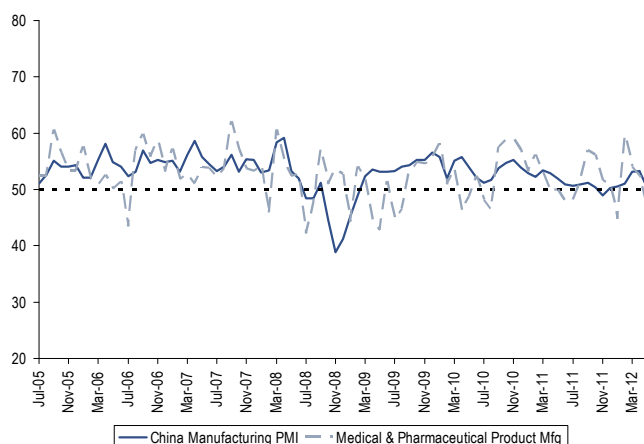


Source: Citi Investment Research and Analysis

Medical & Pharmaceutical Product

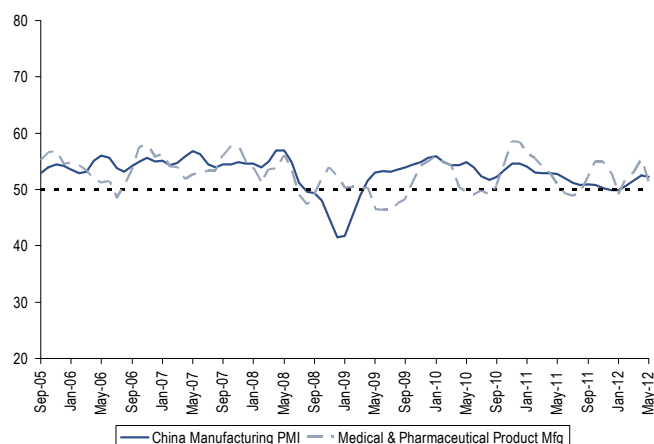
The Medical & Pharmaceutical Product component of the China PMI declined to 46.6 in May from 52.5 in April (Figure 11). On a 3-month rolling average Medical & Pharmaceutical Product decreased to 51.1 in May from 55.4 in April (Figure 12).

Figure 11. China PMI – Medical & Pharmaceutical Product Mfg



Source: Citi Investment Research and Analysis

Figure 12. China PMI – Medical & Pharmaceutical Product Mfg (3-month average)

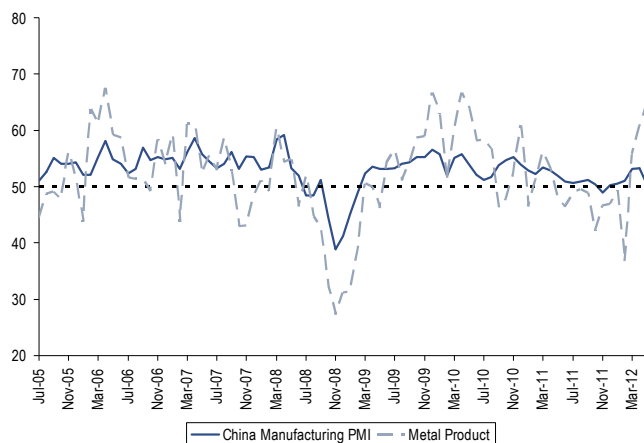


Source: Citi Investment Research and Analysis

Metal Products

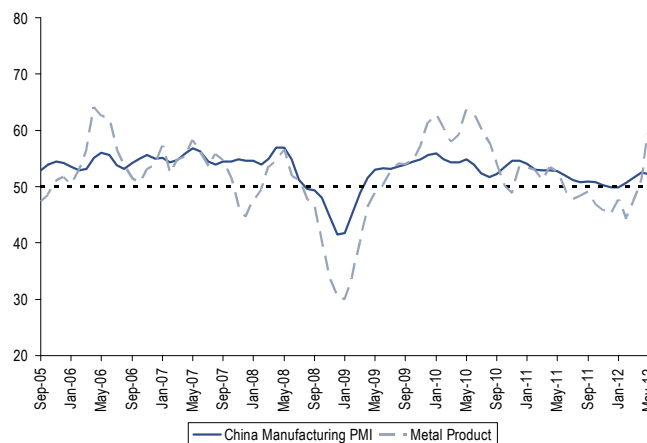
The Metal Products component of the China PMI increased to 64.7 in May from 60.7 in April (Figure 13). On a 3-month rolling average Metal Products increased to 60.4 in May from 51.0 in April (Figure 14).

Figure 13. China PMI – Metal Products



Source: Citi Investment Research and Analysis

Figure 14. China PMI – Metal Products (3-month average)

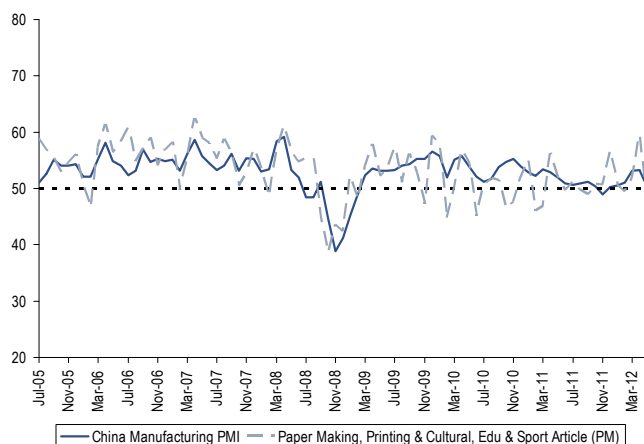


Source: Citi Investment Research and Analysis

Paper Making, Printing, etc

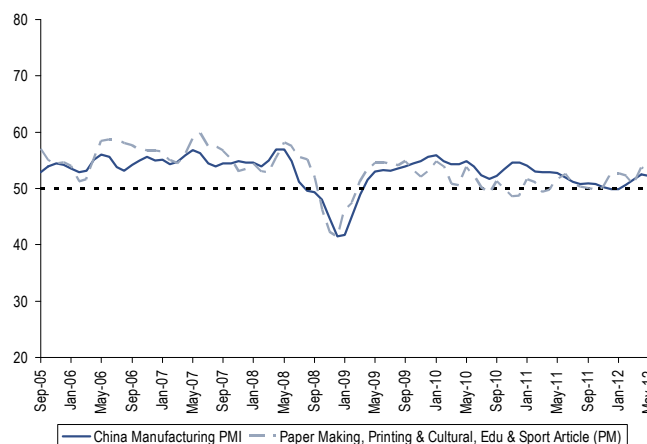
The Paper Making, Printing, etc component of the China PMI slumped to 46.2 in May from 59.6 in April (Figure 15). On a 3-month rolling average Paper Making, Printing, etc decreased to 52.6 in May from 53.7 in April (Figure 16).

Figure 15. China PMI – Paper Making, Printing & Cultural, Edu & Sport Article



Source: Citi Investment Research and Analysis

Figure 16. China PMI – Paper Making, Printing & Cultural, Edu & Sport Article (3-month average)

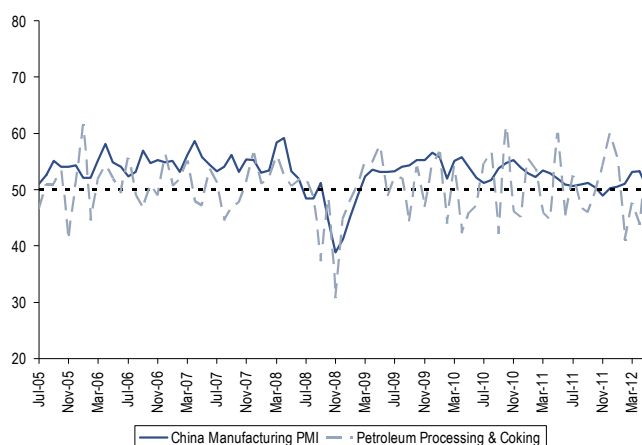


Source: Citi Investment Research and Analysis

Petroleum Processing & Coking

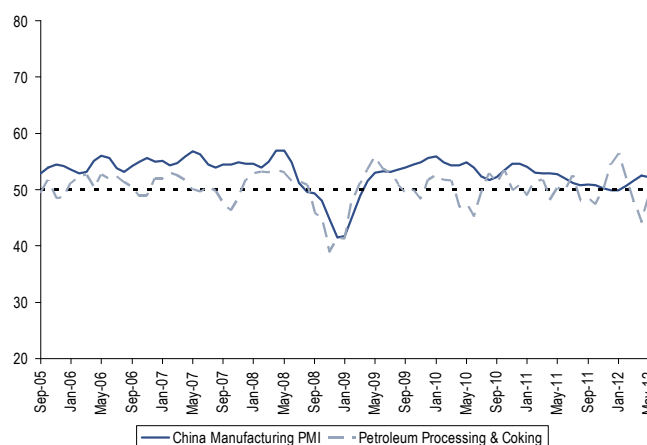
The Petroleum Processing & Coking component of the China PMI surged to 55.1 in May from 43.7 in April (Figure 17). On a 3-month rolling average Petroleum Processing & Coking rose to 48.8 in May from 44.1 in April (Figure 18).

Figure 17. China PMI – Petroleum Processing & Coking



Source: Citi Investment Research and Analysis

Figure 18. China PMI – Petroleum Processing & Coking (3-month average)

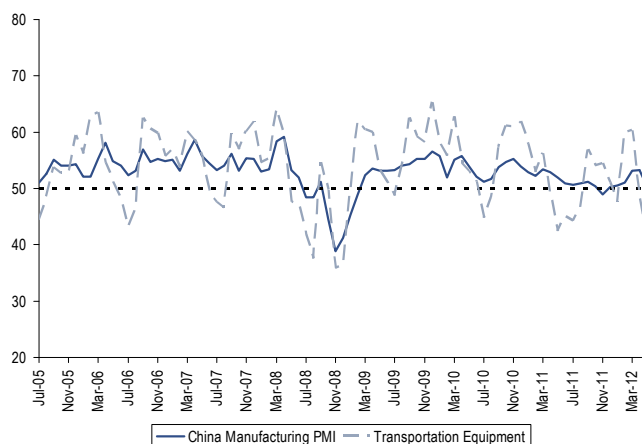


Source: Citi Investment Research and Analysis

Transportation Equipment

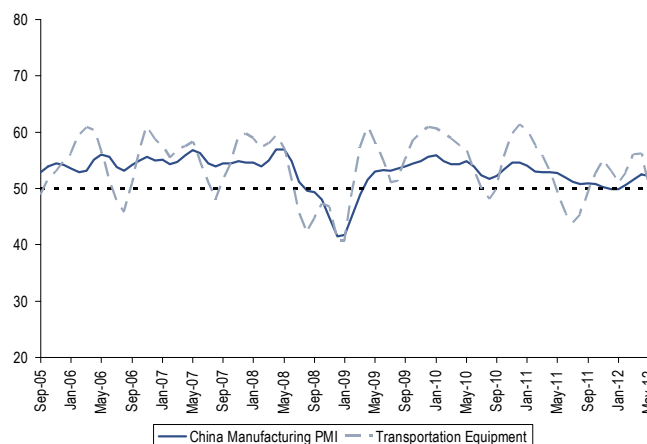
The Transportation Equipment component of the China PMI declined to 42.1 in May from 48.2 in April (Figure 19). On a 3-month rolling average Transportation Equipment decreased to 50.2 in May from 56.2 in April (Figure 20).

Figure 19. China PMI – Transportation Equipment



Source: Citi Investment Research and Analysis

Figure 20. China PMI – Transportation Equipment (3-month average)

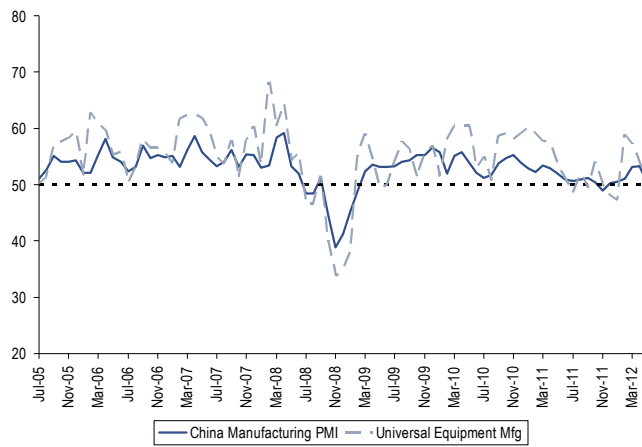


Source: Citi Investment Research and Analysis

Universal Equipment Manufacturing

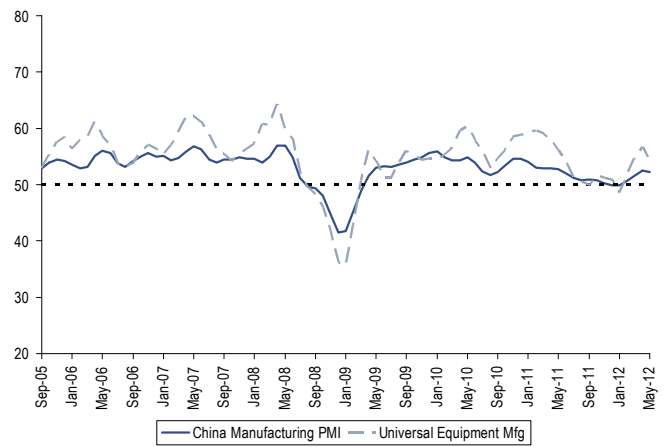
The Universal Equipment Manufacturing component of the China PMI declined to 50.9 in May from 53.8 in April (Figure 21). On a 3-month rolling average Universal Equipment decreased to 54.0 in May from 56.7 in April (Figure 22).

Figure 21. China PMI – Universal Equipment Mfg



Source: Citi Investment Research and Analysis

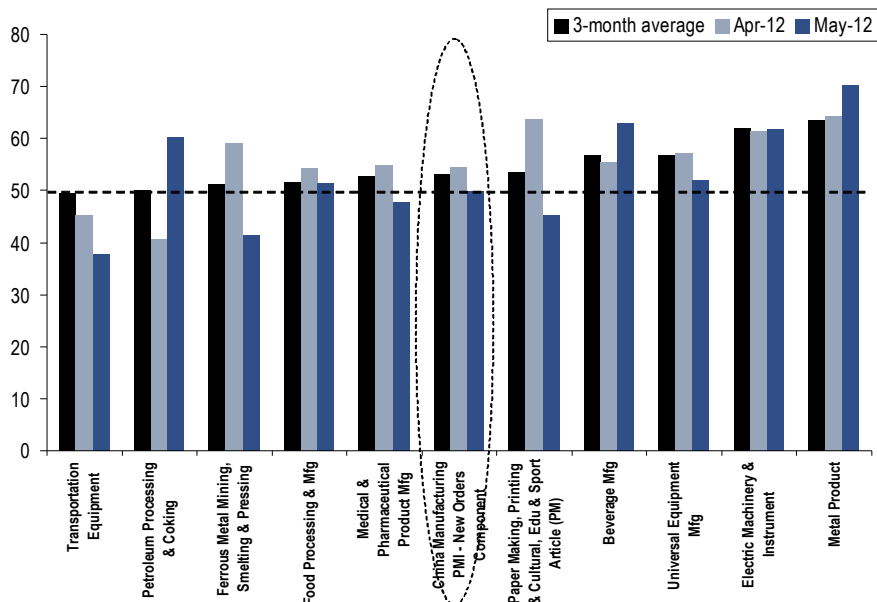
Figure 22. China PMI – Universal Equipment Mfg (3-month average)



Source: Citi Investment Research and Analysis

2. New Orders Component

Figure 23. China Manufacturing PMI – New Orders Component by End Market

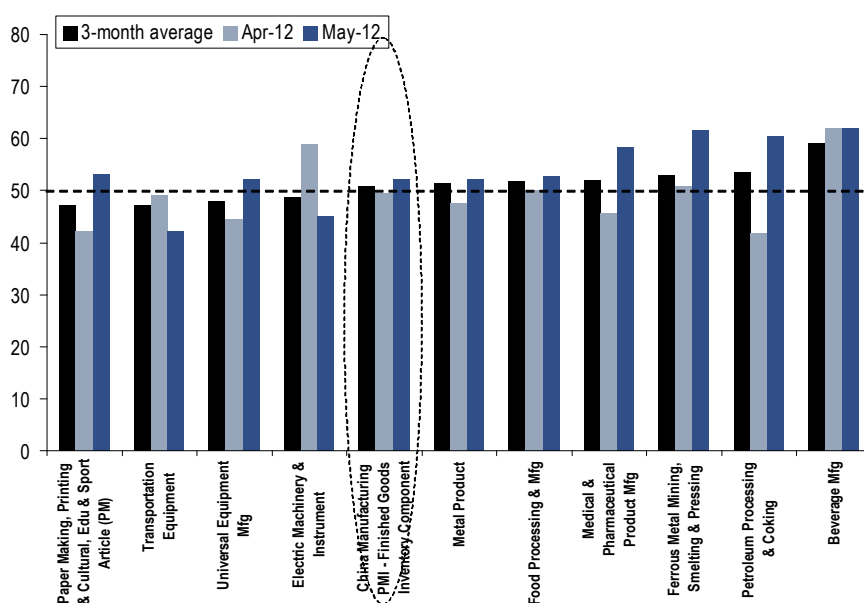


Source: Citi Investment Research and Analysis

3. Finished Goods Inventory Component

Inventories in food processing and beverage equipment continue to remain at a high level and are supported by a robust PMI, the trend being particularly positive for GEA and Invensys. Inventory levels remain low for transportation equipment coupled with a weaker PMI indicating weak demand.

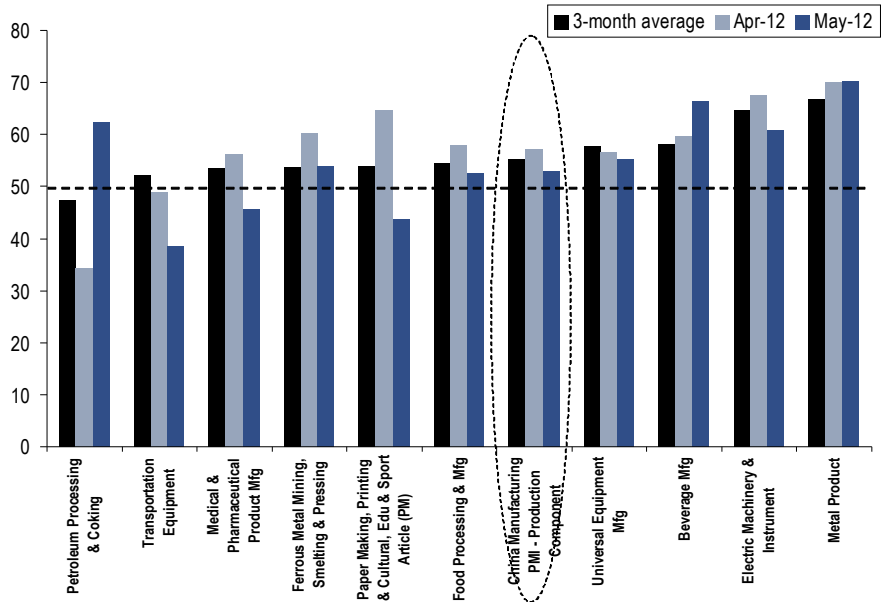
Figure 24. China Manufacturing PMI – Finished Goods Inventory Component by End Market



Source: Citi Investment Research and Analysis

4. Production Component

Figure 25. China Manufacturing PMI – Production Component by End Market

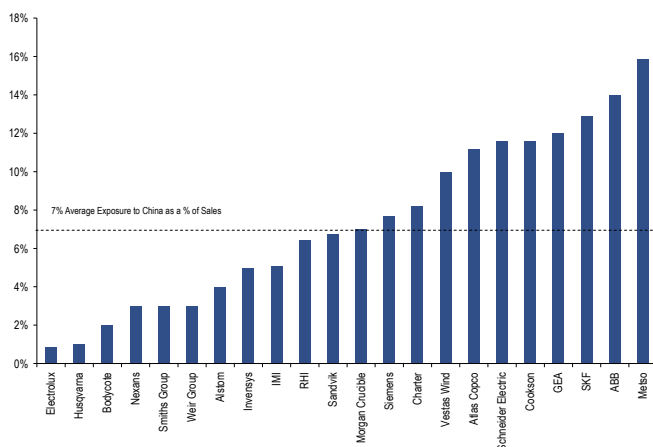


Source: Citi Investment Research and Analysis

Engineering Sector Exposure to China

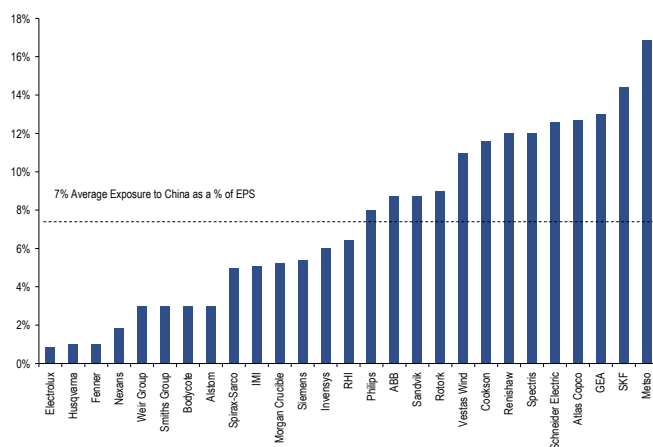
China and the wider Emerging Markets are a key driver of organic growth for the European Engineering sector. On average, our sector generates 7% from China in terms of both sales (Figure 26) and EPS (Figure 27), with Electricals generating 8% of sales and 7% of EPS from China, whereas Mechanicals have 9% of sales and EPS exposed to China. In our UK coverage, China, on average, accounts for 6% of sales and 5% of EPS.

Figure 26. European Engineering – China as a % of Sales (2010)



Source: Citi Investment Research and Analysis

Figure 27. European Engineering – China as a % of EPS (2010)



Source: Citi Investment Research and Analysis

Figure 28 shows European Engineering companies with exposure to key end markets.

Figure 28. Chinese End Markets and European Engineering Companies with Exposure

End Market	Company
Beverage Mfg	GEA, IMI
Electric Machinery & Instrument	ABB, Schneider, Siemens
Ferrous Metal Mining, Smelting & Pressing	Cookson
Food Processing & Mfg	GEA, IMI
Medical & Pharma Products	Philips, Siemens
Metal Product	Atlas Copco, Bodycote, Cookson, IMI, Sandvik, SKF
Paper Making, Printing & Cultural, etc.	ABB, Metso, Siemens
Petroleum Processing & Coking	ABB, IMI, Invensys, Siemens, Weir
Transportation Equipment	ABB, Alstom, Invensys, Siemens

Source: Citi Investment Research and Analysis

Recently Published Engineering Sector in China Reports

[Engineering Sector in China - Monthly China PMI Tracker – April: Implications for the Sector](#) (May 2, 2012)

[Global Engineering Sector in China - Step-Up in 'Go Global' – Revised Winners & Losers](#) (April 2, 2012)

[Engineering Sector in China - Step-Up in 'Go Global' – Revised Winners & Losers;](#) (March 26, 2012)

[Engineering Sector in China - Monthly China PMI Tracker – Implications for the Sector;](#) (March 1, 2012)

[Engineering Sector in China - Feedback from our Conference Call with CIRA China Economist;](#) (October 31, 2011)

[Engineering Sector in China - Considering the Risks of Chinese Industrial Weakening;](#) (September 30, 2011)

[Global Engineering Sector in China - Winners and Losers – What's New in the 12th FYP?](#) (July 12, 2011)

[Engineering Sector in China - Winners and Losers – What's New in the 12th FYP?;](#) (July 6, 2011)

[Global Engineering Sector - CONEXPO Takeaways – Global Perspective;](#) (March 28, 2011)

[Global Engineering Sector in China - 12th FYP: What Has Been Released This Week So Far;](#) (March 9, 2011)

[Global Engineering Sector in China - Winners and Losers - What to Expect from the NPC Meeting?;](#) (March 2, 2011)

[Global Engineering Sector in China - Feedback from Series of Conference Calls with CIRA China Economist and Asia Analysts;](#) (November 19, 2010)

[Global Engineering Sector in China - Winners and Losers;](#) (October 21, 2010)

[Engineering Sector in China - China's 12th Five Year Plan Details Emerge](#) (October 18, 2010)

[3Q10 Global Mining and Construction Survey - Growth Continues/Evidence of Low-Cost Competitive Threat;](#) (October 15, 2010)

[Engineering Sector in China - Winners and Losers](#) (October 12, 2010)

Figure 29. Citi Investment Research and Analysis European Engineering coverage – Comparable Data

06 Jun 2012				Share	Target			Ex Total	Share Price Movement			Shares	Mkt Cap	Mkt Cap	
Company	Country	Recommendation	Curr	Price	Price	Upside	Div Yield	Return	- 1m	- 3m	- 1yr	(m)	(m)	Euro (m)	Year End
Electrical															
ABB (ABBN.VX)	Switzerland	Buy (1)	USD	15.54	23.85	53.4%	4.0%	57.4%	-6.2%	-21.8%	-30.1%	2,288	35,981	28,891	Dec
Alstom (ALSO.PA)	France	Neutral (2)	EUR	23.63	27.00	14.3%	3.4%	17.7%	-3.7%	-25.1%	-42.8%	294	6,958	6,958	Mar
Invensys (ISYS.L)	UK	Buy (1)	GBP	2.10	2.35	11.7%	0.7%	12.4%	5.2%	3.1%	-30.3%	811	1,710	2,112	Mar
Philips (PHG.AS)	Netherlands	Sell (3)	EUR	13.87	12.00	-13.5%	5.8%	-7.7%	-3.2%	-12.7%	-23.4%	866	14,413	14,413	Dec
Nexas (NEXS.PA)	France	Neutral (2)	EUR	31.24	na	na	na	na	-5.8%	-42.2%	-51.4%	28	897	897	Dec
Schneider Electric (SCHN.PA)	France	Sell (3)	EUR	42.42	40.00	-5.7%	3.8%	-1.9%	-4.7%	-16.9%	-23.4%	549	23,286	23,286	Dec
Siemens AG (SIEGn.DE)	Germany	Buy (1)	EUR	64.16	95.00	48.1%	4.7%	52.7%	-4.1%	-16.1%	-28.3%	914	58,655	58,655	Sep
Mechanical															
Atlas Copco (ATCOa.ST)	Sweden	Sell (3)	SEK	140.90	130.00	-7.7%	3.7%	-4.0%	-5.8%	-16.9%	-9.3%	1,214	166,775	18,583	Dec
Assa Abloy (ASSAb.ST)	Sweden	Neutral (2)	SEK	181.00	190.00	5.0%	3.4%	8.3%	-6.0%	-11.6%	9.6%	368	66,677	7,429	Dec
FLSmidth (FLS.CO)	Denmark	Neutral (2)	DKK	299.90	350.00	16.7%	3.3%	20.0%	-13.3%	-29.7%	-27.8%	53	15,955	2,147	Dec
Fiat Industrial (FI.MI)	Italy	Buy (1)	EUR	7.45	9.50	27.5%	3.6%	31.1%	-5.1%	-11.2%	na	1,223	9,108	9,108	Dec
GKN (GKN.L)	UK	Neutral (2)	GBP	1.76	1.70	-3.1%	4.6%	1.4%	-7.2%	-20.2%	-16.0%	1,553	2,729	3,370	Dec
IMI (IMI.L)	UK	Buy (1)	GBP	8.47	12.00	41.8%	2.6%	44.4%	-6.6%	-16.0%	-15.8%	317	2,718	3,357	Dec
Kone (KNEBV.HE)	Finland	Sell (3)	EUR	43.24	36.50	-15.6%	2.5%	-13.1%	-6.3%	-0.8%	2.8%	261	11,445	11,445	Dec
MAN (MANG.DE)	Germany	Neutral (2)	EUR	85.00	87.00	2.4%	2.1%	4.4%	3.1%	-9.7%	-10.7%	147	12,462	12,462	Dec
Metso (MEQ1V.HE)	Finland	Sell (3)	EUR	25.97	24.00	-7.6%	5.2%	-2.4%	-9.6%	-27.9%	-32.1%	150	3,905	3,905	Dec
RHI (RHIV.VI)	Austria	Buy (1)	EUR	16.69	22.00	31.8%	3.0%	34.8%	-9.1%	-14.6%	-22.4%	40	665	665	Dec
Sandvik (SAND.ST)	Sweden	Buy (1)	SEK	86.25	125.00	44.9%	4.5%	49.4%	-10.5%	-13.0%	-22.5%	1,254	108,191	12,055	Dec
Schindler (SCHN.S)	Switzerland	Neutral (2)	CHF	106.20	115.00	8.3%	2.0%	10.3%	-4.5%	-3.5%	5.1%	116	12,746	10,613	Dec
SKF AB (SKFb.ST)	Sweden	Sell (3)	SEK	138.80	120.00	-13.5%	4.2%	-9.3%	-6.3%	-18.2%	-21.1%	455	63,207	7,043	Dec
Smiths Group (SMIN.L)	UK	Neutral (2)	GBP	9.80	9.60	-2.0%	3.9%	1.9%	-4.9%	-10.1%	-16.8%	392	3,846	4,750	Jul
Diversified Industrial															
Bodycote (BOY.L)	UK	Neutral (2)	GBP	3.57	4.15	16.3%	3.4%	19.7%	-7.7%	-14.6%	-1.1%	186	683	843	Dec
Cookson Group (CKSN.L)	UK	Buy (1)	GBP	5.99	8.00	33.6%	4.0%	37.6%	-6.9%	-16.2%	-9.8%	276	1,667	2,059	Dec
Electrolux (ELUXb.ST)	Sweden	Sell (3)	SEK	125.20	115.00	-8.1%	4.1%	-4.0%	-9.0%	-16.7%	-20.5%	285	38,775	4,321	Dec
GEA (GIAG.DE)	Germany	Buy (1)	EUR	20.07	27.00	34.6%	3.0%	37.6%	-7.4%	-22.3%	-12.5%	184	3,688	3,688	Dec
Husqvarna AB (HUSQb.ST)	Sweden	Neutral (2)	SEK	31.11	38.00	22.1%	4.8%	27.0%	-12.9%	-23.7%	-32.4%	573	17,902	1,995	Dec
Melrose (NYN.L)	UK	Neutral (2)	GBP	3.99	3.80	-4.6%	3.0%	-1.7%	-3.0%	-3.8%	24.9%	391	1,683	2,078	Dec
Morgan Crucible (MGCR.L)	UK	Buy (1)	GBP	2.63	3.80	44.7%	3.0%	47.8%	-4.4%	-24.5%	-12.6%	278	730	901	Dec
Vestas Wind (VWS.CO)	Denmark	Neutral (2)	EUR	4.36	8.07	85.0%	0.0%	85.0%	-24.5%	-44.0%	-77.6%	204	889	889	Dec
Weir Group (WEIR.L)	UK	Sell (3)	GBP	14.82	14.00	-5.5%	2.7%	-2.8%	-2.1%	-25.3%	-24.2%	212	3,149	3,890	Dec

Note: Prices as of close 5 June 2012

Powered by dataCentral; dataCentral is CIRA's proprietary database, which includes Citi estimates, data from company reports and feeds from Reuters, DataStream, First Call, IBES and Toyo Keizai.

Note Fiat Industrial's estimates have been adjusted for Financial Services

Figure 30. Citi Investment Research and Analysis European Engineering coverage – Comparable Data

06 Jun 2012	Net Debt (inc Pension)			Adjusted EPS			Sales			EBITDA			Adjusted EBIT			Free Cash Flow			Dividend		
Company	11E	12E	13E	11E	12E	13E	11E	12E	13E	11E	12E	13E	11E	12E	13E	11E	12E	13E	11E	12E	13E
Electrical																					
ABB (ABBN.VX)	-1,378	351	-1,816	1.38	1.48	1.74	37,990	41,171	44,318	5,662	6,136	7,096	5,369	5,540	6,437	2,648	3,658	3,973	0.65	0.79	0.89
Alstom (ALSO.PA)	3,867	2,668	1,569	3.14	3.55	3.94	19,934	20,478	21,502	1,693	2,014	2,155	1,311	1,514	1,654	-712	1,435	1,364	0.80	0.80	0.90
Invensys (ISYS.L)	149	69	-23	18.64	24.32	26.43	2,555	2,624	2,729	262	321	341	198	256	274	-56	71	90	6.00	7.00	8.00
Philips (PHG.AS)	2,146	2,261	1,975	0.69	1.12	1.33	22,578	23,090	23,975	4,523	3,047	3,364	1,752	1,614	1,888	1,700	1,256	1,478	0.75	0.75	0.75
Nexans (NEXS.PA)	538	540	527	3.91	4.82	5.62	4,594	4,802	5,029	428	453	487	256	273	299	61	29	47	1.10	1.20	1.30
Schneider Electric (SCHN.PA)	6,989	6,093	5,111	3.66	4.00	4.47	22,387	24,356	25,668	3,465	3,793	4,095	2,853	3,141	3,438	1,506	1,810	1,970	1.70	1.80	1.90
Siemens AG (SIEGn.DE)	5,472	4,127	1,673	7.82	7.43	7.59	74,417	75,885	79,140	10,629	10,399	15,262	8,764	8,810	12,724	5,117	2,885	5,338	3.00	3.10	3.20
Mechanical																					
Atlas Copco (ATCOa.ST)	14,395	10,002	4,955	10.40	10.45	10.18	81,203	88,158	90,065	19,748	20,307	19,975	17,226	17,604	17,116	6,296	10,479	11,409	5.00	5.23	5.09
Assa Abloy (ASSAb.ST)	14,238	11,458	8,941	13.21	13.11	13.72	41,786	45,533	46,839	6,226	8,086	8,374	6,624	7,039	7,287	4,360	4,436	4,755	4.50	6.08	6.84
FLSmidth (FLS.CO)	41	2,923	1,791	29.62	33.19	33.15	21,998	25,950	26,278	2,647	2,957	3,246	2,333	2,620	2,643	651	97	1,651	9.00	9.75	11.13
Fiat Industrial (FI.MI)	1,254	1,130	674	0.50	0.79	0.94	24,289	25,550	26,946	2,273	2,765	2,973	1,609	2,028	2,200	1,070	83	709	0.19	0.29	0.29
GKN (GKN.L)	1,154	1,118	1,076	19.37	22.48	25.45	5,720	6,460	6,880	619	692	744	464	540	592	99	231	267	8.00	10.00	12.00
IMI (IMI.L)	108	108	-36	81.48	89.05	101.34	2,131	2,271	2,404	423	439	502	342	379	442	161	212	263	30.00	32.00	35.00
Kone (KNEBV.HE)	-724	-879	-1,173	2.52	2.18	2.31	5,225	5,526	5,724	791	788	829	725	718	758	516	513	572	1.40	1.09	1.16
MAN (MANG.DE)	2,591	2,560	2,435	5.20	5.77	6.51	16,472	15,676	16,688	2,587	2,490	2,655	1,478	1,382	1,541	-524	369	479	2.30	2.40	2.50
Metso (MEO1V.HE)	694	743	732	2.38	2.35	2.20	6,646	7,238	7,301	744	752	726	572	571	541	330	253	213	1.70	1.35	1.28
RHI (RHIV.VI)	584	512	422	2.58	3.00	3.38	1,759	1,799	1,853	218	225	238	151	153	166	38	72	91	0.75	0.85	1.00
Sandvik (SAND.ST)	25,908	22,008	14,153	6.77	8.80	9.72	94,084	104,326	106,983	15,971	22,438	23,236	13,677	16,795	17,434	3,202	8,035	12,704	3.25	3.89	4.37
Schindler (SCHN.S)	-2,357	-2,653	-3,031	4.68	5.49	5.96	7,854	8,212	8,492	909	1,047	1,136	925	906	981	558	537	636	2.00	2.15	2.33
SKF AB (SKFb.ST)	16,910	16,708	16,087	13.29	12.40	13.26	66,216	68,790	72,081	11,402	10,920	11,598	9,612	9,130	9,808	3,870	2,707	3,444	5.50	6.20	6.63
Smiths Group (SMIN.L)	928	965	797	90.59	92.28	100.40	2,842	3,024	3,139	603	649	696	438	505	546	267	308	346	36.20	36.91	40.16
Diversified Industrial																					
Bodycote (BOY.L)	13	-20	-52	32.82	37.77	39.56	571	598	621	140	149	157	80	97	102	56	58	58	10.90	12.00	13.00
Cookson Group (CKSN.L)	467	418	357	70.44	77.28	83.47	2,826	2,841	2,883	338	363	384	290	311	332	77	97	114	21.75	24.00	26.00
Electrolux (ELUXb.ST)	8,449	14,872	16,386	10.71	11.69	12.59	101,598	110,568	113,175	6,190	7,404	8,059	3,155	5,047	5,611	2,213	-572	464	6.50	5.19	4.69
GEA (GIAG.DE)	935	992	823	1.84	2.01	2.21	5,417	5,929	6,120	531	584	626	551	575	620	227	170	279	0.55	0.61	0.67
Husqvarna AB (HUSQb.ST)	8,112	8,279	7,371	1.73	2.80	3.21	30,357	32,436	33,415	2,663	3,516	3,828	1,615	2,418	2,740	-490	698	1,774	1.50	1.50	1.75
Melrose (NYN.L)	408	422	406	30.73	35.85	39.79	1,154	1,245	1,298	203	239	247	181	216	225	52	46	73	13.00	14.34	15.92
Morgan Crucible (MGCR.L)	351	303	278	29.92	30.50	32.62	1,101	1,137	1,177	173	176	183	143	149	156	54	82	57	9.25	10.00	10.50
Vestas Wind (VWS.CO)	547	660	631	-0.81	0.28	0.60	5,836	7,310	7,566	305	596	697	-39	146	227	96	-114	28	0.00	0.00	0.00
Weir Group (WEIR.L)	735	743	632	133.60	149.14	147	2,292	2,652	2,696	469	542	544	413	487	479	201	318	324	33.00	37.00	40.00

Source: Powered by dataCentral

Figure 31. Citi Investment Research and Analysis European Engineering coverage – Comparable Data

06 Jun 2012	Adjusted PE			EPS (Adj) Growth			EV/Sales			EV/EBITDA			EV/EBIT (Adj)			EBIT (Adj) Margin			Free Cash Flow Yield			Dividend Yield		
Company	11E	12E	13E	11E	12E	13E	11E	12E	13E	11E	12E	13E	11E	12E	13E	11E	12E	13E	11E	12E	13E	11E	12E	13E
Electrical																								
ABB (ABBN.VX)	11.2	10.5	9.0	24%	7%	17%	0.9	0.9	0.8	6.0	5.9	4.8	6.6	6.7	5.4	14.1%	13.5%	14.5%	8.0%	10.4%	12.0%	4.2%	5.1%	5.8%
Alstom (ALSO.PA)	7.5	6.7	6.0	-10%	13%	11%	0.5	0.5	0.4	6.4	4.8	4.0	8.3	6.4	5.2	6.6%	7.4%	7.7%	-4.9%	16.6%	17.5%	3.4%	3.4%	3.8%
Invensys (ISYS.L)	11.3	8.7	8.0	-21%	31%	9%	0.7	0.7	0.6	7.1	5.5	4.9	9.6	7.1	6.3	7.7%	9.8%	10.0%	-1.6%	5.2%	6.4%	2.9%	3.3%	3.8%
Philips (PHG.AS)	20.1	12.4	10.5	-61%	62%	19%	0.6	0.6	0.6	3.1	4.7	4.2	8.1	8.9	7.5	7.8%	7.0%	7.9%	11.7%	9.2%	10.9%	5.4%	5.4%	5.4%
Nexans (NEXS.PA)	8.0	6.5	5.6	33%	23%	17%	0.3	0.3	0.3	3.3	3.1	2.9	5.3	4.9	4.4	5.6%	5.7%	5.9%	11.6%	8.3%	9.3%	3.5%	3.8%	4.2%
Schneider Electric (SCHN.PA)	11.6	10.6	9.5	1%	9%	12%	1.4	1.2	1.1	8.7	7.7	6.9	11.0	9.8	8.6	12.7%	12.9%	13.4%	6.3%	7.4%	8.2%	4.0%	4.2%	4.5%
Siemens AG (SIEGn.DE)	8.2	8.6	8.4	14%	-5%	2%	0.9	0.8	0.8	6.0	6.0	4.0	7.5	7.3	4.8	11.8%	11.6%	16.1%	5.7%	4.8%	14.3%	4.7%	4.8%	5.0%
Mechanical																								
Atlas Copco (ATCOa.ST)	13.5	13.5	13.8	32%	0%	-3%	2.3	2.1	2.0	9.4	8.9	8.8	10.8	10.3	10.3	21.2%	20.0%	19.0%	3.6%	6.3%	7.0%	3.5%	3.7%	3.6%
Assa Abloy (ASSAb.ST)	13.7	13.8	13.2	19%	-1%	5%	1.9	1.7	1.6	13.0	9.7	9.0	12.3	11.2	10.4	15.9%	15.5%	15.6%	6.2%	6.5%	7.0%	2.5%	3.4%	3.8%
FLSmidth (FLS.CO)	10.1	9.0	9.0	18%	12%	0%	0.7	0.7	0.7	6.0	6.4	5.5	6.9	7.2	6.8	10.6%	10.1%	10.1%	4.7%	0.8%	9.7%	3.0%	3.3%	3.7%
Fiat Industrial (FI.MI)	15.0	9.4	7.9	48%	59%	19%	0.5	0.4	0.4	4.6	3.7	3.3	6.4	5.0	4.4	6.9%	8.2%	8.4%	15.6%	4.7%	10.3%	2.5%	3.9%	3.9%
GKN (GKN.L)	9.1	7.8	6.9	5%	16%	13%	0.7	0.6	0.6	6.3	5.6	5.1	8.9	7.6	6.8	8.1%	8.4%	8.6%	3.7%	7.4%	8.3%	4.6%	5.7%	6.8%
IMI (IMI.L)	10.4	9.5	8.4	23%	9%	14%	1.3	1.2	1.1	6.6	6.4	5.3	8.3	7.5	6.1	16.0%	16.7%	18.4%	6.1%	7.8%	10.0%	3.5%	3.8%	4.1%
Kone (KNEBV.HE)	17.2	19.9	18.7	20%	-14%	6%	2.0	1.9	1.8	13.3	13.2	12.2	14.6	14.5	13.3	13.9%	13.0%	13.3%	4.6%	4.6%	5.3%	3.2%	2.5%	2.7%
MAN (MANG.DE)	16.4	14.7	13.1	-2%	11%	13%	0.9	1.0	0.9	5.8	6.0	5.6	10.3	11.0	9.8	9.0%	8.8%	9.2%	-2.6%	3.0%	3.7%	2.7%	2.8%	2.9%
Metso (MEQ1V.HE)	10.9	11.0	11.8	39%	-1%	-6%	0.7	0.6	0.6	6.2	6.2	6.4	8.0	8.3	8.7	8.6%	7.9%	7.4%	8.6%	6.5%	5.7%	6.5%	5.2%	4.9%
RHI (RHIV.VI)	6.5	5.6	4.9	-17%	17%	12%	0.7	0.7	0.6	5.7	5.2	4.6	8.3	7.7	6.5	8.6%	8.5%	9.0%	5.5%	7.0%	8.8%	4.5%	5.1%	6.0%
Sandvik (SAND.ST)	12.7	9.8	8.9	20%	30%	10%	1.4	1.2	1.1	8.4	5.8	5.3	10.2	7.8	7.0	14.5%	16.1%	16.3%	3.9%	7.7%	11.2%	3.8%	4.5%	5.1%
Schindler (SCHN.S)	22.7	19.4	17.8	-15%	17%	9%	1.3	1.2	1.1	11.0	9.3	8.2	11.2	11.1	9.9	11.8%	11.0%	11.6%	5.4%	5.2%	6.4%	1.9%	2.0%	2.2%
SKF AB (SKFb.ST)	10.4	11.2	10.5	18%	-7%	7%	1.2	1.2	1.1	7.0	7.3	6.8	8.6	9.0	8.3	14.5%	13.3%	13.6%	5.7%	4.2%	5.2%	4.0%	4.5%	4.8%
Smiths Group (SMIN.L)	10.8	10.6	9.8	9%	2%	9%	1.7	1.6	1.5	7.9	7.4	6.7	10.9	9.5	8.5	15.4%	16.7%	17.4%	6.8%	7.6%	8.6%	3.7%	3.8%	4.1%
Diversified Industrial																								
Bodycote (BOY.L)	10.9	9.4	9.0	114%	15%	5%	1.2	1.1	1.0	4.8	4.3	3.9	8.4	6.6	6.0	14.1%	16.2%	16.5%	8.6%	9.3%	9.7%	3.1%	3.4%	3.6%
Cookson Group (CKSN.L)	8.5	7.8	7.2	15%	10%	8%	0.7	0.7	0.7	6.3	5.7	5.2	7.5	6.8	6.2	10.3%	10.9%	11.5%	5.0%	5.8%	6.6%	3.6%	4.0%	4.3%
Electrolux (ELUXb.ST)	11.7	10.7	9.9	-24%	9%	8%	0.4	0.5	0.5	7.1	6.8	6.5	14.0	10.0	9.3	3.1%	4.6%	5.0%	5.2%	0.0%	2.1%	5.2%	4.1%	3.7%
GEA (GIAG.DE)	10.9	10.0	9.1	29%	9%	10%	0.9	0.8	0.7	8.7	8.0	7.2	8.4	8.2	7.3	10.2%	9.7%	10.1%	6.6%	5.1%	7.6%	2.7%	3.0%	3.3%
Husqvarna AB (HUSQb.ST)	18.0	11.1	9.7	-43%	62%	14%	0.9	0.8	0.8	9.7	7.4	6.6	16.1	10.8	9.2	5.3%	7.5%	8.2%	-0.3%	4.2%	8.6%	4.8%	4.8%	5.6%
Melrose (NYN.L)	13.0	11.1	10.0	21%	17%	11%	1.7	1.6	1.5	9.7	8.3	7.9	10.9	9.2	8.7	15.7%	17.4%	17.3%	3.4%	3.0%	4.1%	3.3%	3.6%	4.0%
Morgan Crucible (MGCR.L)	8.8	8.6	8.1	60%	2%	7%	1.0	0.9	0.9	6.3	5.9	5.5	8.0	7.4	6.9	13.0%	13.1%	13.2%	7.0%	9.9%	7.4%	3.5%	3.8%	4.0%
Vestas Wind (VWS.CO)	nm	15.7	7.3	-206%	-134%	116%	0.2	0.2	0.2	4.7	2.6	2.2	nm	10.5	6.7	-0.7%	2.0%	3.0%	13.2%	-2.8%	5.8%	0.0%	0.0%	0.0%
Weir Group (WEIR.L)	11.1	9.9	10.1	33%	12%	-1%	1.7	1.5	1.4	8.3	7.1	6.9	9.4	8.0	7.9	18.0%	18.4%	17.8%	5.6%	9.1%	9.5%	2.2%	2.5%	2.7%
Averages																								
Electrical	11.1	9.1	8.1	-3%	20%	12%	0.8	0.7	0.6	5.8	5.4	4.5	8.1	7.3	6.0	9.5%	9.7%	10.8%	5.3%	8.8%	11.2%	4.0%	4.3%	4.6%
Mechanical	12.8	11.8	11.0	15%	11%	8%	1.2	1.1	1.1	7.9	7.2	6.6	9.7	9.1	8.4	12.5%	12.4%	12.7%	5.6%	5.7%	7.7%	3.6%	3.9%	4.2%
UK	10.4	9.3	8.6	29%	13%	8%	1.2	1.1	1.0	7.0	6.2	5.7	9.1	7.7	7.0	13.2%	14.2%	14.5%	5.0%	7.2%	7.8%	3.4%	3.8%	4.2%
Europe	13.2	11.7	10.5	-2%	8%	14%	1.0	0.9	0.9	7.4	6.7	6.0	9.7	8.9	7.9	10.2%	10.3%	10.8%	5.9%	5.6%	8.4%	3.6%	3.7%	3.9%
Total Pan Europe	12.1	10.8	9.7	6%	10%	12%	1.0	1.0	0.9	7.3	6.5	5.9	9.5	8.5	7.6	11.0%	11.4%	11.9%	5.6%	6.2%	8.2%	3.5%	3.8%	4.1%

Source: Powered by dataCentral

Appendix A-1

Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

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